

Alert

Update

Reminder

Clarification

Training
Information

Preview

Revised Project Review Requirements for Agency Condominium Loans

Truist Bank (Truist) revises Agency condominium requirements to align with recently announced Fannie Mae and Freddie Mac updates related to projects in need of critical repairs. These requirements apply to Agency non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) condominium loans secured by units in projects with five or more attached units, regardless of the type of project review (unless otherwise noted below) or review waiver (*i.e., Fannie Mae’s Waiver of Review and Freddie Mac’s Exempt from Review requirements*). With these updates we:

- further define critical repairs, which include material deficiencies and significant deferred maintenance
- define routine repairs that are not considered critical
- prohibit the purchase of loans secured by units in condominium projects that:
 - are in need of critical repairs,
 - have current evacuation orders due to unsafe conditions, and/or
 - have unfunded repairs totaling more than \$10,000 per unit
- require a review of all structural and/or mechanical inspection reports that have been completed within three years of the project review date
- provide new requirements for projects with special assessments
- reinstate the flexibility to obtain a reserve study in lieu of the condominium project meeting their 10% budget reserve requirement (*under the Full Review Process for non-AUS and DU loans*)

We also refresh non-AUS and DU condominium requirements to reflect a previously published update and to promote clarity in our published Agency requirements.

Effective Dates

- The updates related to projects in need of critical repairs are effective for loan applications dated on or after September 18, 2023.

Notes:

- If a lender has an unexpired project review completed prior to September 18, 2023, they must still validate these new requirements have been met for loan applications dated on or after September 18, 2023. This applies to all review types.
- Fannie Mae’s Condo Project Manager™ (CPM™) will be updated September 18, 2023, with new review questions and data elements related to required repairs, deficiencies, inspections, and assessments. See “Bulletin Details” for additional information.
- The refreshed non-AUS and DU condominium requirements are effective immediately for existing and new loan applications on or after September 15, 2023.

Background Information

Fannie Mae and Freddie Mac (the GSEs) announced temporary requirements in Lender Letter LL-2021-14 and Bulletin 2021-38 related to critical repairs, significant deferred maintenance, and special assessments in condominium projects with five or more attached units (*as previously announced in Product Release Bulletins [COR21-056](#) and [COR21-071](#)*). Fannie Mae SEL-2023-06 and Freddie Mac Bulletin 2023-15 announced updates that further refined the previously announced requirements and addressed new requirements related to unfunded repairs, inspection reports, and special assessments. Additionally, the GSEs are now incorporating these requirements into their Selling Guides as permanent requirements. In response to these publications, we reviewed impacted standard documents and identified the need to align with Fannie Mae and Freddie Mac requirements and presentation of guidance. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

Agency Condominium Requirements Updates

The following table highlights the updates made to the Agency condominium requirements for loans secured by units in projects with five or more attached units. These requirements apply regardless of the type of project review (unless otherwise noted below) or review waiver.

Topic	Update
<p>Critical Repairs</p> <p><i>(Includes Material Deficiencies and Significant Deferred Maintenance)</i></p>	<p>For non-AUS, DU, and LPA loans:</p> <ul style="list-style-type: none"> • Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity, or habitability of the project's building(s), or the financial viability or marketability of the project. Critical repairs include conditions such as: <ul style="list-style-type: none"> • material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year, • any mold, water intrusions or potentially damaging leaks to the project's building(s), • advanced physical deterioration, • any project that failed to pass state, county, or other jurisdictional mandatory inspections and/or certifications specific to structural safety, soundness, and habitability, or • any unfunded repairs costing more than \$10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment). • Examples of some items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures. • If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply. • A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy. <p>Note: A combination of documents may need to be reviewed to determine if a project meets Fannie Mae and Freddie Mac's physical condition requirements. Lenders are responsible for determining which documents are needed to ensure compliance with the requirements. See today's revised product materials for examples of such documentation.</p>

Bulletin Details, continued

Topic	Update
Routine Repairs that are Not Considered Critical	<p>For non-AUS, DU, and LPA loans, routine repairs are not considered to be critical and include work that is:</p> <ul style="list-style-type: none"> preventative in nature or part of normal capital replacements (for example, focused on keeping the project fully functioning and serviceable), and accomplished within the project's normal operating budget or through special assessments that are within requirements.
Inspection Reports	<p>For non-AUS, DU, and LPA loans:</p> <ul style="list-style-type: none"> If a structural and/or mechanical inspection was completed within three years of the project review date, the lender must obtain and review the inspection report. The report cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required. If the inspection report indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly. The lender must review an engineer's report or substantially similar document to determine if the repairs completed have resolved the safety, soundness, structural integrity, or habitability concerns of the project.
Special Assessments	<p>For non-AUS, DU, and LPA loans:</p> <ul style="list-style-type: none"> Special assessments may be current or planned. Lenders must obtain and review the following information for each special assessment to determine if it addresses a critical repair: <ul style="list-style-type: none"> what is the purpose of the special assessment, when was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed, what was the original amount of the special assessment and the remaining amount to be collected, and when is the expected date the special assessment will be paid in full. If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible. Under the following project review methods/types, no more than 15% of the total number of units in the project can be 60 days or more past due in the payment of each special assessment: <ul style="list-style-type: none"> Limited Review Process (Fannie Mae) / Streamlined Reviews (Freddie Mac) Full Review Process (Fannie Mae) for both established and new condominium projects Established Condominium Projects (Freddie Mac) New Condominium Projects (Freddie Mac)
Reserve Requirements	<p>For non-AUS and DU loans, Fannie Mae reinstated the flexibility (under their Full Review process) to use a reserve study in lieu of calculating the replacement reserve of 10% provided certain conditions are met. See today's revised product materials for additional details.</p>
<p>Fannie Mae's CPM Updates</p> <p><i>(For Projects Reviewed under the Full Review Process)</i></p>	<p>CPM will be updated on September 18, 2023, to include new review questions and data elements related to critical repairs, material deficiencies, significant deferred maintenance, inspection reports, evacuation orders, and special assessments. See the Condo Project Manager Release Notes for additional information on the new CPM review questions.</p> <ul style="list-style-type: none"> New or In-Progress CPM Projects: The new data requirements will apply to all initial project review submissions to CPM on and after September 18, 2023, <i>regardless of the loan application date.</i> Unexpired CPM Projects: <ul style="list-style-type: none"> For loan applications dated on or after September 18, 2023, the lender must update the certification with the new data requirements. For loans with application dates prior to September 18, 2023, the loan may be underwritten in accordance with the requirements outlined in Fannie Mae Lender Letter LL-2021-14 and the unexpired CPM certification provided that unexpired CPM certification was completed prior to September 18, 2023.

Bulletin Details, continued

Reminder Regarding Condominium Projects with a CPM “Unavailable” Status

Non-AUS and DU loans secured by units in projects with a status of "Unavailable" in CPM remain ineligible for purchase. This restriction applies regardless of the number of units in the project and the project review process or review waiver used in underwriting the loan.

Agency Condominium Requirements Improvement Updates

In support of our standards improvement initiative, we:

- removed non-AUS second home and investment property transactions requirements under the “Limited Review Process (Fannie Mae)” subtopic *(due to the ineligibility of non-AUS second home and investment property transactions, previously announced in Product Release Bulletin [COR21-013](#))*
- corrected the project review methods referenced for non-AUS and DU loans, under the “New Condominium Projects” subtopic

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of all standard revisions for non-AUS and DU condominium loans.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all standard revisions for LPA condominium loans.

Revised Material

Click [Condominium and PUD Approval Requirements Standard](#) to review the revised product material.

Former Standards

See the before and after matrices provided in the Bulletin Details section of this bulletin to access the former standards.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.

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